

Message Text

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ACTION COME-00

INFO OCT-01 EA-12 ISO-00 EB-08 SSO-00 /021 W
-----066871 270840Z /11

O 270816Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC IMMEDIATE 7441

UNCLAS SECTION 01 OF 02 TOKYO 07532

PASS COMMERCE FOR WEIL/GARNITZ/EISELT

E.O. 11652: NA
TAGS: BEXP, JA, US
SUBJECT: OFFER OF FREE EXHIBITION SPACE AT
. WORLD IMPORT MART

REF: (A) TOKYO 3461, (B) TOKYO 908,
. (C) TOKYO A-107, (D) TOKYO A-24

1. SUMMARY: MANUFACTURED IMPORTS PROMOTION ORGANIZATION (MIPRO) HAS OFFERED U.S. GOVERNMENT 500 SQUARE METERS FREE PLUS ADDITIONAL EXHIBITION SPACE AT 7,000 YEN PER SQUARE METER PER MONTH RENTAL IN WORLD IMPORT MART (WIM) IN NEW "SUNSHINE CITY" COMPLEX. HAVING CAREFULLY CONSIDERED JAPANESE REACTION IF WE TURN DOWN APPARENTLY GENEROUS OFFER TO HELP US EXPAND U.S. EXPORTS, EMBASSY/TC NEVERTHELESS BELIEVE THAT DISADVANTAGES OUTWEIGH ADVANTAGES AND THAT WE SHOULD INFORM MIPRO BY MAY 10 THAT WE CANNOT ACCEPT THEIR OFFER. END SUMMARY

2. U.S. TRADE CENTER STAFF MET APRIL 13 WITH REPRESENTATIVES OF MIPRO AND JAPAN URBAN DEVELOPMENT CO., LTD. (JUDCO). MIPRO IS UNCLASSIFIED

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AUTONOMOUS JAPANESE GOVERNMENT-SUPPORTED ORGANIZATION RECENTLY FORMED TO MANAGE TWO FLOORS OF SUBSIDIZED EXHIBITION SPACE IN WORLD IMPORT MART (WIM) FOR USE BY DEVELOPED (AND CERTAIN DEVELOPING) COUNTRIES FOR PROMOTING EXPORTS TO JAPAN. JUDCO HAS DEVELOPED SUNSHINE CITY AND TURNED OVER MANAGEMENT OF ONE BUILDING TO WORLD IMPORT MART CO., LTD. MEMORANDUM

OF MEETING AIRMAILED TO JAPAN COUNTRY MARKETING
MANAGER EISELT APRIL 17.

3. IN MEETING, MIPRO ORALLY OFFERED USABLE AREA
OF 500 SQUARE METERS RENT-FREE, WITH INITIAL CONTRACT
FOR ONE YEAR PLUS TWO TWO-YEAR OPTIONS. AN
ADDITIONAL CONTIGUOUS 350 SQUARE METERS WOULD BE
AVAILABLE AT RENTAL COST OF 8,000 YEN (\$36.36 AT
220 YEN \$1) PER SQUARE METER PER MONTH. (850
SQUARE METERS ON ONE FLOOR APPROXIMATES PRESENT
TC USABLE SPACE.) IF 500 SQUARE METER OFFER IS
ACCEPTED, JUDCO COULD MAKE ADDITIONAL EXHIBIT
SPACE AVAILABLE TO U.S. ELSEWHERE IN SUNSHINE
CITY COMPLEX AT RATE OF 4,000 YEN PER SQUARE
METER PER FORTNIGHT FOR SIX EXHIBITIONS ANNUALLY.

4. AFTER DISCUSSION, MIPRO AGREED TO REVIEW ITS
PER METER RENTAL CHARGE AND SUBMIT LOWER OFFER
BY APRIL 20, AS WELL AS REPLY TO SUGGESTION THAT
INITIAL FOUR TO SIX MONTHS RENT BE WAIVED IN
ORDER PARTIALLY TO OFFSET MOVING COSTS. IN
LETTER TO TC DATED APRIL 20, MIPRO OFFERS TO
REDUCE SPACE RENTAL NOTED PARA 3 ABOVE FROM
8,000 YEN TO 7,000 YEN (EQUIVALENT TO \$31.82).
5. GOJ, THROUGH MIPRO, IS MAKING THIS OFFER AS
ONE OF ITS EFFORTS TO SHOW IT IS SINCERE IN
ENCOURAGING IMPORTS OF MANUFACTURED PRODUCTS
INTO JAPAN. IT IS POSSIBLE THAT OUR REJECTION
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OF IT MIGHT BE USED BY JAPANESE SPOKESMEN AS
AN INDICATION THAT THEIR ATTEMPTS TO HELP U.S.
EXPORTERS ARE NOT SUFFICIENTLY SUPPORTED BY
THE U.S. GOVERNMENT, WHICH HAS REFUSED TO
TAKE ADVANTAGE OF WHAT IS FINANCIALLY A VERY
LIBERAL OFFER. WE HAVE ASSUMED THAT IT IS
PROBABLY NOT FEASIBLE FOR USG TO CONTEMPLATE
CONTINUING OUR PRESENT TRADE CENTER AND ALSO
MANAGING SPACE AT THE WORLD IMPORT MART. TC
ESTIMATES THAT ACCEPTANCE OF 850 SQUARE METER
OFFER AND MOVING THE PRESENT TC WOULD MEAN
(AT THE REDUCED RATE OF 7,000 YEN) A RENT
SAVING OF ABOUT \$120,000 ANNUALLY AND ACCEPTANCE
OF 500 SQUARE METERS FREE PLUS RENTING SPACE
FOR SIX EXHIBITS (AT A REDUCED RATE OF 3,500
YEN) WOULD RESULT IN A RENT SAVING OF ABOUT
\$210,000 ANNUALLY.

6. OTHER ADVANTAGES WOULD INCLUDE: (A) HAVING
A ONE-LEVEL EXHIBIT AREA AND HAVING LARGER
AREAS AVAILABLE IN THE SAME COMPLEX IF NEEDED;
(B) POSSIBLE SYNERGISTIC EFFECT OF HAVING

EXHIBITIONS OF OTHER COUNTRIES IN
SAME COMPLEX, ESPECIALLY IF WIM BECOMES
A POPULAR FOCUS FOR BUYERS; (C) DESIRABILITY
OF HAVING U.S. STAFF AVAILABLE IN COMPLEX IF
WIM IS SUCCESSFUL IN ATTRACTING U.S. EXPORTERS
TO ITS OTHER OFFICES AND EXHIBITION SPACE.

7. THERE ARE, HOWEVER, MANY DISADVANTAGES TO
THIS OFFER: (A) WIM IS LOCATED ABOUT SEVEN
KILOMETERS FROM THE EMBASSY AND NEARBY BUSINESS

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PASS COMMERCE FOR WEIL/GARNITZ/EISELT

DISTRICT. WE BELIEVE IT WOULD BE MORE DIFFICULT
FOR MANY OF OUR JAPANESE AND AMERICAN VISITORS
TO VISIT IKEBUKURO THAN IT IS IN THE PRESENT
LOCATION; AN ANALYSIS OF RECENT TC VISITORS
REGISTRATION LISTS SHOWS THAT MAJORITY OF
VISITORS HAVE BUSINESS ADDRESSES IN CINTRAL
TOKYO. (B) THE TC HAS ESTABLISHED AN
INSTITUTIONAL IMAGE IN TOKYO IN ITS PRESENT LOCATION,
IS WELL KNOWN, AND WOULD HAVE TO REEDUCATE ITS
CLIENTELE AS TO ITS NEW LOCATION. (C) IN ITS
PRESENT LOCATION, THE TC HAS AN INDEPENDENT IMAGE,
WHEREAS IN THE WIM IT MIGHT BE SEEN AS ONE OF
SEVERAL EXPORT PROMOTION GROUPS. (D) A NUMBER
OF TC EXHIBITORS HAVE SAID THAT THE WIM IS A MUCH
LESS DESIRABLE LOCATION FOR THEM. (E) ADEQUATE
HOTEL FACILITIES FOR OUR U.S. EXHIBITORS CLOSE TO
WIM ARE NOT EXPECTED BEFORE APRIL 1980. (F) THE
DISTANCE BETWEEN THE TC AND THE EMBASSY CHANCERY
WOULD MAKE LIAISON DIFFICULT AND SIGNIFICANTLY

REDUCE THE EFFECTIVENESS OF TC-CHANCERY COOPERATIVE
PROMOTIONAL EFFORTS. (G) ELEVATOR CAPACITY OF
TWO TONS MAXIMUM WOULD RESTRICT THEME SELECTION,
E.G., PROMOTIONS OF COMMERCIAL LAUNDRY AND DRY-
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CLEANING EQUIPMENT, PACKAGING EQUIPMENT, PRINTING
EQUIPMENT, PLUS SEVERAL OTHER CATEGORIES COULD
NOT BE HELD IN TC AREA. (H) FLOOR LOAD OF
300 KG/M2, COMPARED TO EXISTING 360 KG/M2 WOULD
ALSO RESTRICT OPERATIONS SOMEWHAT. (I) INSUFFICIENT
CEILING LIGHTING WOULD REQUIRE INSTALLATION OF
ADDITIONAL OVERHEAD TRACK LIGHTING.

8. BRITISH EXPORT MARKETING CENTER DIRECTOR TOLD
TC DIRECTOR LAST WEEK THAT THEY ARE EXTREMELY
RELUCTANT TO MOVE TO WIM, ALTHOUGH FINANCIAL
SAVING WOULD BE ABOUT \$400,000 ANNUALLY. BRITISH
HAVE MADE NO DECISION AND DO NOT KNOW WHEN THEY
WILL DECIDE, BUT DIRECTOR SAID THEY VERY POSSIBLY
WOULD MOVE IF U.S. MOVED AND NOT MOVE IF U.S.
REJECTED OFFER. OTHER DEVELOPED COUNTRIES WILL
PROBABLY FOLLOW OUR LEAD.

9. CONSIDERATION SHOULD BE GIVEN TO WHETHER USG
RESOURCES COULD BE EXPANDED TO OPERATE BOTH
PRESENT TC AND SPACE AT WIM. ALTERNATIVELY,
A PROBE MIGHT BE INITIATED TO DETERMINE WHETHER
U.S. PRIVATE ENTERPRISE MIGHT TAKE OVER MANAGEMENT
OF FREE SPACE WITH SOME NOMINAL USG RESPONSIBILITY.
WE ARE NOT SURE MIPRO WOULD APPROVE LATTER OPTION
OR THAT WE COULD GUARANTEE A CREDITABLE U.S.
PRESENCE THROUGH THIS DEVICE.

10. ALTHOUGH THERE ARE MANY DETAILS WHICH HAVE
NOT YET BEEN RESOLVED, IT IS THE PRESENT OPINION
OF THE EMBASSY/TC THAT, OVERALL, THE DISADVANTAGES
OUTWEIGH THE ADVANTAGES OF THE PROPOSED MOVE.
CONSEQUENTLY, UNLESS WE ARE INSTRUCTED TO THE
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CONTRARY, WE PLAN TO ADVISE MIPRO ON MAY 10 THAT
WE ARE UNABLE TO TAKE ADVANTAGE OF THEIR OFFER.
WE FEEL THAT CONTINUING NEGOTIATIONS WITH THEM,
UNLESS THERE IS A STRONG POSSIBILITY OF OUR MOVING,
WOULD BE EVEN MORE DISAPPOINTING TO MIPRO AND COULD

BE CONSTRUED AS ACTING IN BAD FAITH IN ORDER TO
DELAY A NEGATIVE ANSWER. FURTHER, WE BELIEVE
GOJ AND ORGANIZERS OF WORLD IMPORT MART (SUCH AS
OKADA OF MITSUKOSHI WHO WAS VICE LEADER OF IKEDA
MISSION) SHOULD NOT BE LEFT DANGLING.

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